

ITALY IMPROVING HER UNFAVORABLE TRADE CONDITION ALTHOUGH IT STILL SHOWS DESTRUCTIVE EFFECT OF WAR

Port Improvements Involving Heavy Outlay Are Under Way, but Numerous Other Important Public Works Are Postponed for Financial Reasons

The New York Herald continues herewith its series of articles giving in short, condensed paragraphs a survey of conditions now prevailing on the European Continent. To-day's presentation of facts deals with the Kingdom of Italy.

Special Correspondence to THE NEW YORK HERALD.
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KING VICTOR EMANUEL and the royal family are in great popular favor throughout Italy, and spend a life of prodigious strenuousness, attending all public functions of note. The King is constitutionally minded, and would bow to any change expressed by the public will.

One of the most significant changes in the country's social life is the entrance of the landless peasant into the political situation. The problem of the large estates and how they should be developed is one of the most important now before the country.

Italy is having grave trials with her public services, the State railroads rolling up a deficit of 1,000,000,000 lire in the year ending June 30, and post and telegraph services in a serious state of inefficiency and bad financial management.

Much money is being expended on port improvements this year, the harbor of Venice having an important commercial extension, and Palermo harbor now being improved by the MacArthur Corporation of America.

Taxes both direct and indirect lie heavily on the shoulders of the Italian citizens. This year's revenue from taxes was more than a billion and a half higher than that of 1921.

Visitors to Italy contribute to the Government income by paying ten per cent. luxury taxes in hotels, restaurants and theaters, direct imposts for luxury goods and indirect taxes on tobacco, wine, etc.

Circulation of paper money shows a great improvement over the situation during the first of the year, when the banks issued heavily to cover the crash of the Banca di Sconto. There is now in circulation 455,000,000 lire

in paper less than on January 31, when the total was 21,300,000,000.

Italy has corrected her unfavorable trade balance to some extent, that for 1921 being roughly 2,700,000,000 lire, as compared with 7,050,000,000 of the previous year, but her volume of trade is only 77 per cent. that of 1913 as far as exports go.

Italy's present policy toward Jugoslavia is a conciliatory one. The naming of Rodolfo in place of Castelli in Fiume is an indication that Sforza's policy is being continued.

Little progress has been made so far in developing the "redeemed" territories. Trieste, however, is receiving considerable attention by Italian manufacturers as a trade base with Czechoslovakia and the Near East.

Italy is now in the process of drawing up new commercial treaties. That with Russia is held up for the present, but satisfactory treaties have been concluded with Poland, France and Spain, and others are in process with Czechoslovakia and Austria.

Italy's share in German reparations is considered unsatisfactory, since she probably will collect this year only about 150,000,000 gold marks out of the 260,000,000 due. Coal, the chief product desired from Germany, is impossible to get.

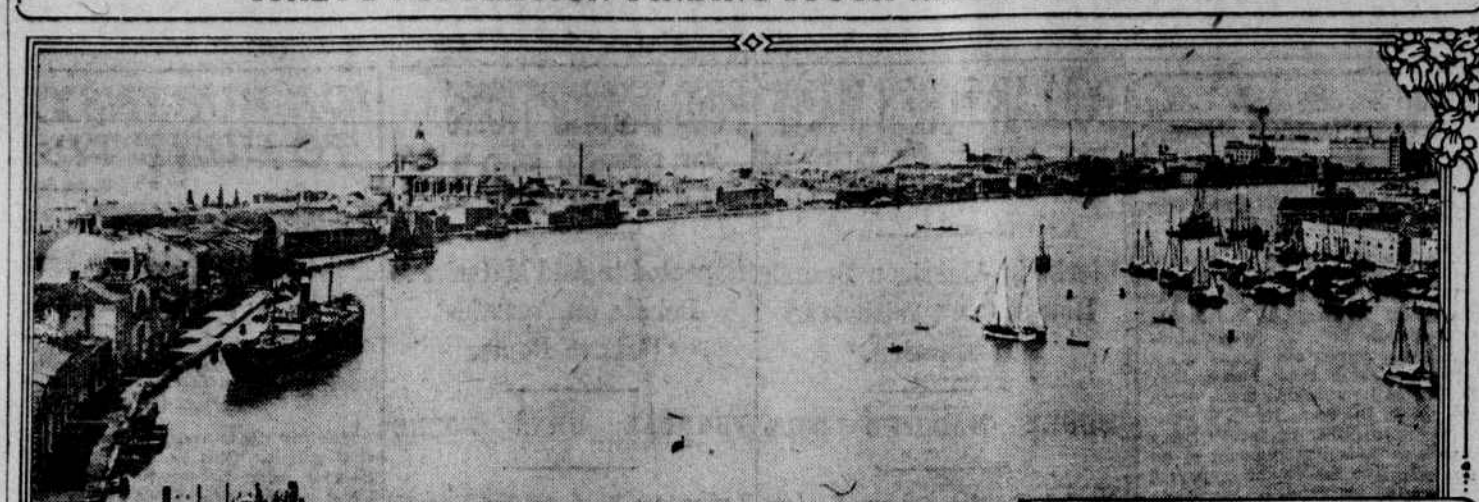
The large plans on foot for the electrification of the State railways have been postponed for the present because of the lack of public funds. A loan from American capital is awaited here for that purpose.

Growth of bureaucracy has reached alarming proportions. For the fiscal year 1922, the salaries of petty public officials in Italy have been increased by 10 per cent.

Italian industry is operating on a strong protectionist policy, the metallurgical industries especially seeking to exclude cheaper goods from Central Europe.

Italian business is now going through a period of liquidation, investment of new capital in May, for instance, being only 1,000,000 lire above liquidations

ITALY'S POPULATION FINDING SOUTH AMERICAN OUTLET.



AMERICAN STUDENTS IN MILAN ABOUT TO BOARD A CAR TO VIEW THE TOWN. PHOTO BY WIDE WORLD

KING VICTOR EMANUEL ARRIVING AT GENOA

and reductions, as compared with 277,000,000 in February.

Creation of the Banca Nazionale di Credito to supplant the defunct Banco di Sconto, has served to steady the financial situation. Creditors of the old bank are receiving from 62 to 67 per cent. of their deposits, the balance being covered by undated negotiable bonds for shares in the liquidated assets of the Sconto.

In the labor world, strikes are becoming more and more infrequent, none of a serious nature taking place

in the last six months, with the exception of the national strike of metal workers late in June.

Unemployment still presents a serious problem in Italy, though a great improvement has been made in the last few months, less than a half million workers being idle at present.

The Government is carrying out an extensive program of public works and unemployment benefits to relieve the situation.

The cooperative movement has had a great development in Italy since the war, "red," "white" and "green" co-operative chains of the Socialists, Popular and Fascist parties respectively covering the country.

The merchant marine has more than recovered the tonnage lost during the war by a program of great activity, which was given sudden pause by the industrial crash last winter. Building and shipping are both far below normal at present.

Lack of coal resources has prompted Italy to develop her abundant resources of "white coal" as water power is called here. Important strides have been made in utilizing the Alpine water power.

Great interest in the petroleum question is now being shown by the country's industrial leaders. Although Italy imports 99 per cent. of her oil she has so far no foreign fields, but is now seeking to obtain concessions in Russia and elsewhere.

Wine production, except for the better grades, continues practically at its pre-war level. The better wines, which used to be sent to America and Central

Europe, have been without a large foreign market since the war.

During the first four months of his pontificate Pius XI. has occupied himself almost altogether with foreign politics, especially the situation in Palestine, France, Russia, Rumania, Greece and Czechoslovakia.

Following the Pope's note to the Genoa peace conference concerning Russia, and the offer to buy Russian church properties to save them from confiscation, other recent moves by the Vatican indicate plans for an alliance with the Russian Orthodox and Greek churches.

In the question of the relations between the Vatican and the Quirinal the new Pope has shown a secondary interest, and apparently is not anxious for the present to change the situation which has existed since 1870.

Smoking and drinking have been on women proving large consumers of tobacco. Cutting off export markets, especially the United States, has left more wine for the Italians to drink.

Wages have increased three or four times since the war, while the cost of living has increased five times. During the present year wages have begun to decrease.

A good dinner in a moderate restaurant now costs 25 lire, whereas it used to cost 5. In the smart restaurants dinner with wine costs 50 or 60 lire. Room rates have increased accordingly.

The Italian citizen is suffering acutely the lack of housing. The Government has a benevolent attitude toward the problem and does all in its power to make the lot of the tenant or would-be tenant easier.

Restriction of immigration of Italians into the United States has caused an interesting shift in the emigration current to South America. A treaty is now being drawn up with Brazil to safeguard Italians going to that country.

The Italian standing army is now being reduced to only 200,000 men, and a project is now being considered to the increase in Italy since the war, cut down the period of universal military training to six months, supplemented by military training in private clubs and athletic societies.

A movement is on foot to reform the Italian school system, which is very inadequate, the Popular party taking the initiative in this movement.

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Visitors Contribute to National Revenue by Paying Luxury Taxes in Hotels, Restaurants, Theatres and by Various Indirect Levies

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CABLES DIVERTED FROM UNITED STATES CARRY WITH THEM FOREIGN TRADE

Lines Formerly German Owned Act as Efficient Feeders for Our Business Rivals Across the Seas

By STEPHEN BONSLAL.

THERE are conferences galore in the world to-day. They command an immense amount of space in the world press. Our wisest and most forthrighting convened at the Hague or in Genoa. Verbal skyrockets go up and diplomatic petards are hoisted, but right here in Washington a conference has convened, lived out its little day and adjourned with but little front page publicity and no public attention worth recording in the press.

I refer, of course, to the Communications Congress which was disrupted last April by an American proposal which seems to have contained the amazing suggestion that America should share in the great struggle, was entitled to be consulted as to the disposition of the meager assets as well as to the enormous liabilities resulting from the war.

It is only fair to admit that the Communications Congress had a bad start. To begin with, it is a chronic rather than a novel affair. It meets, at least when the world is on an even keel, every five years or so, in some pleasant European capital, and proposes methods of communication and the transmission of intelligence by means of which it has been thought for many generations that the world would grow kinder and the peoples thereof become more closely akin.

But those wicked diplomats, who assembled in Versailles, played a sly trick upon the peaceable and unobtrusive Communications Congressmen. They had enough and to spare of the "light" they set aside a beam or two for cable experts and the wireless wizards, who seem to have been dazzled, if not entirely blinded, by it ever since. The one live German asset in the hands of the Allies at the time of the peace conference was the German submarine cables in the Atlantic, as well as in the Pacific of a replacement value of \$100,000,000. During the progress of the war these cables were divided up among the sea-

going Powers such as Great Britain, Japan and France.

Later on, Italy's claims to participation "in principle" were admitted and finally the hitherto ignored connection of the United States with the victory and the resulting spoils was conceded: at least to the extent that it would only be fair and courteous to listen to what her representatives might have to say why German owned but American operated cables should not be reeled up from the ocean beds and diverted from her shores, to the great detriment of her by no means inconsiderable trade with central Europe and with China, which had been conducted for many years successfully and profitably through these indispensable media of commercial exchanges.

Great Britain and France

Had Majority Control
When the Communications Congress first came to the surface, and was seen above the war wreckage in 1920, France was found to be in physical possession and control of 5,000 miles of German cables. Great Britain had 5,000, very conveniently located, of course, while Japan was struggling along with a mere 3,000 miles of annexed submarine cables. The only asset that the Italians could produce was the admission on the part of her more experienced allies that "in principle" at least she was entitled to her proportionate share of the spoils, later on to be adjudicated.

Very heated discussions followed as to the disposition of the other German transatlantic cable which some time after we had entered the war, and were doing our best to win it, had been diverted from our shores and become an All-red British cable, connecting Pensance in the old country with Halifax in the Canadian Dominion. Our delegates pointed out as delicately as possible that while the American cable companies controlled the majority of the transatlantic cables, none of them enjoyed direct communication with central Europe except the ex-German cables which the favoring fortunes of war, to which we contributed largely, had placed in the hands of our commercial rivals (i. e., England and France) for the central European trade that in the last pre-war year exceeded in value \$600,000,000.

Cables Under the Pacific

Another Cause of Strife
While this subject was under discussion our grievances in the Pacific were also aired. It was shown how valuable for many years had proved the German Pacific cable from Guam to Yap, thence to Shanghai on the mainland of China. In the course of the war Japan had diverted this cable from China to Japan and it

was delicately suggested that under these changed circumstances American cablegrams passing over a Japanese cable and ending in an Imperial Japanese telegraph office would not prove very helpful in any attempts that might be made to really foster American trade with China. Apparently France was most antagonistic to our views, but it is only fair to say that the Communications Congress was very niggardly in its communications with the press, and all the outside world can claim to know is that the prolonged conferences ended in a deadlock, and last spring its members left Washington and have recently informed our Secretary of State that they will require at least six months for study and investigation. Probably another year will elapse before they can be brought face to face with the American proposals by which it is thought that a fair and equitable adjustment of world communication problems can be brought about.

Recently Sir Charles Bright, the eminent son of the man who had more to do with laying the first transatlantic cable than any one else, wrote an interesting article in the London Times, setting forth the world situation as far as the transmission of intelligence is concerned. "One of the lessons of the war," he writes, "is that the principal Powers will set about establishing their own communication links, both by cable and by wireless. No nation can do much to develop overseas trade without developing and perfecting her communication links. They are undoubtedly an important factor in the development of foreign trade."

United States Does Little

To Foster Export Trade

If these statements be correct (and who is so foolish as to question them?) we cannot be congratulated upon our efforts to conserve and to increase our export trade. The only cable which we operated connecting American producers with central European consumers and vice-versa has passed out of our control and been diverted from our shores. In the Pacific, our reward for our war services has not been so bitter, but it is far from encouraging. The German owned cables in the Pacific connected up with the American Commercial Pacific system in Guam and their operation from that island was entirely under American control. In this way we enjoyed via Yap and Shanghai a secondary and very useful auxiliary means of communication with the Chinese markets of great actual value and of almost limitless future possibilities. In other words, our alternate Pacific cable leads today through Yap to the Dutch East Indies and not to the main land of Asia at all.

It should not be thought for a

moment that these setbacks which we have received at the hands of our European and Asiatic friends and allies have been taken lying down by the successive Administrations in Washington. Such is far from being the case, and there is reason to believe that much good will come from the illustrations with which we have been furnished of the perhaps unconscious selfishness and egotism of our former allies and present business competitors. The evidence that Mr. Clarence H. Mackay, president of the Commercial Cable Company and the Postal System, gave before the Senate Committee investigating the situation in regard to which our exporters are flooding the Department of Commerce with their well founded complaints, have commanded the closest attention and in many quarters aroused deep seated indignation. Mr. Mackay said:

Formerly a Great Asset

In Furthering Commerce

"We are deeply interested in the question of the disposition of the former German cables which were cut by the British, the French and the Japanese Governments in the course of the war, diverted from our shores and transferred to their territory when it suited their convenience. These cables were great assets to American trade with central and northern Europe. In the last pre-war year 825,000 messages passed over them between the United States and central Europe. Neither of these cables touched British or French territory and there is no justification for their diversion. Our friends with whom we were associated in the great war should be given to understand that in all justice and equity these cables should be restored to the status of before the war. We must not be deprived of these direct means of communication, and, speaking as an American and in the interests of American trade, I repeat that the situation is one which demands more urgent and forceful attention."

The result of this authoritative statement and tens of thousands of others with which the desks of Secretaries Hughes and Hoover are piled high has had an awakening effect. While submarine cables have never been treated as spoils of war in previous outbreaks of hostilities, international authorities are divided as to the justification of a step which is without precedent. But there is no division of opinion as to the absurdity of our consenting to German reparations being paid at the expense of American trade and at the cost and loss of American manufacturers and American labor. Undoubtedly our communications with western and central

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FRANCE MIGHT LIGHTEN GERMAN LOAD IF BRITAIN OFFERED COMPENSATION

Must Have Security from Attack of Marauding Neighbor and Loan in Lieu of Reparation Payments.

By SIR PHILIP GIBBS.

Special Cable to THE NEW YORK HERALD.

LONDON, Aug. 5.—Last week I gave some plain facts and figures about the situation in Europe which must be faced before any kind of hopeful settlement can be made. But of course life is never conducted on a basis of plain facts and figures, because one has to take into account such things as passion, prejudice, popular emotion and endless varieties of conflicting views and interests.

It may be interesting to my readers if I try to lift the veil which conceals some of these hidden forces now working in European politics. Take, for instance, the relations of France and England, upon which the future of Europe utterly depends. Outwardly there is a fairly clearcut issue to be decided between Poincare and Lloyd George on behalf of their respective Governments.

It is just this: If for the sake of British trade and European peace France agrees to postpone or reduce the German debts, what security will Britain offer in return, what financial aid to France? The fact simply is that the problem is enormously difficult because French views on the minimum security are in conflict with British views regarding the potential danger of Germany in the near future. Also they envisage a close military alliance between England and France which is not at all popular in England, where at the present time all military alliances are in disfavor, owing to the wave of pacifism among the masses of ordinary folk.

But if one digs deeper one finds

many irreconcilable forces preventing an immediate plain settlement. In France distrust of Lloyd George amounts to a secret mania; peasant, shopkeeper and politician unite in the belief he has deliberately undermined French rights with regard to Germany in order to destroy French supremacy on the Continent. Therefore any French statesman, whether Poincare or any other, is in danger of committing political suicide by holding any conversation with Lloyd George—that mythical, monstrous character of our present world drama—if they lead to any further concessions to Germany.

Distrust Makes Difficult

Any Permanent Policy

"That distrust is sufficient in itself to make heavy going for there can be no business arrangement without confidence on both sides nor any boldness of vision. Every representative of France knows he will be disowned and overthrown by his own people if he agrees to any compromise. Briand was destroyed for that very reason. Poincare, whose cold nature, immense intellectual obstinacy and personal dislike of Lloyd George make him a perfect proof against any sentimental yielding to the little Welshman, will be destroyed also unless he strikes a bargain which gives France much more than she is willing to yield in return. That makes the negotiation troublesome."

The first is security from future invasion, the second is repayment for the devastated districts. I think they are perfectly right in holding to those essential needs at all costs. But they are not all of one mind upon the method by which those can be secured. There is a secret and severe clash between two schools of thought.

One school, including all in high military command, the French army of public opinion, believes that security can be obtained only by using the financial default of Germany as a legitimate reason for increasing the hold on the Rhine and for obtaining stronger control of German customs. They are prepared to admit that such action would not result in full payment of indemnities, but they regard the safety of France as first importance and believe they could squeeze enough to pay for the devastated districts. Extremists of this school of thought are prepared to act with or without British agreement.

On the other hand, there is a very large and growing body of opinion in France not only against further military action in Germany but also dead against any policy that would alienate British support, which is their one mainstay against future German aggression, for they are prepared even to sacrifice some of their interests provided England reciprocates generously not only by cancellation of French debts but by a definite pledge of aid in the event of future war with Germany.

Think Premier Is Friend

Of Germany at Heart

Is it any wonder the French people fail to understand this man who made the treaty and then spends his time

breaking it? They regard him as a dishonest fellow, very treacherous, especially as they are convinced that he gained everything at Versailles for the interests of his own country, including the possession of the German fleet, the destruction of her mercantile marine and the capture of her colonies. They do not believe what is really the greater truth, that as time has gone by Lloyd George has seen the dangers to Europe as a whole involved in the downfall of Germany. Lloyd George never thinks of yesterday, but always of day after tomorrow, sometimes in rain moments a Saturday fortnight. That is the secret of his genius.

Now in France at the present moment, below the surface of political tranquility, there are seething passions and anxieties. Having at last realized that literal fulfillment of the treaty is impossible, and the fact that the German money on which they reckoned for their own immediate necessities in squaring the budget is not forthcoming, France is anxiously considering the future, but her people are not united in their convictions as to the best policy to be pursued. They are determined not to sacrifice two essential items of their victory, compared with which all other things are trivial.

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